

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 247

HOUSE BILL 2262

AN ACT

AMENDING TITLE 38, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-618 AND 38-619; REPEALING LAWS 1993, CHAPTER 114, SECTION 1, AS AMENDED BY LAWS 1995, CHAPTER 43, SECTION 1 AND LAWS 1999, CHAPTER 78, SECTION 3; REPEALING LAWS 1993, CHAPTER 114, SECTION 1, AS AMENDED BY LAWS 1995, CHAPTER 43, SECTION 1 AND LAWS 1999, CHAPTER 138, SECTION 1; REPEALING LAWS 1993, CHAPTER 114, SECTION 2, AS AMENDED BY LAWS 1994, CHAPTER 39, SECTION 1 AND LAWS 1995, CHAPTER 43, SECTION 2; REPEALING LAWS 1993, CHAPTER 114, SECTION 3, AS AMENDED BY LAWS 1994, CHAPTER 39, SECTION 2, LAWS 1995, CHAPTER 43, SECTION 3 AND LAWS 1999, CHAPTER 138, SECTION 2; RELATING TO THE PERFORMANCE BASED INCENTIVES PROGRAM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 38, chapter 4, article 1, Arizona Revised Statutes,
3 is amended by adding sections 38-618 and 38-619, to read:

4 38-618. Performance based incentives program

5 A. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION AND THE EXECUTIVE
6 DIRECTOR OF THE ARIZONA BOARD OF REGENTS MAY ESTABLISH A PERFORMANCE BASED
7 INCENTIVES PROGRAM TO PROMOTE EFFICIENCY AND EFFECTIVENESS IN STATE
8 GOVERNMENT. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL IDENTIFY
9 STATE AGENCIES AND THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS
10 SHALL IDENTIFY STATE UNIVERSITIES IN WHICH TO IMPLEMENT THE PROGRAM.

11 B. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION AND THE EXECUTIVE
12 DIRECTOR OF THE ARIZONA BOARD OF REGENTS SHALL COOPERATE WITH THE DIRECTORS
13 OF AGENCIES AND THE PRESIDENTS OF THE IDENTIFIED UNIVERSITIES, RESPECTIVELY,
14 TO:

15 1. DEVELOP A PERFORMANCE BASED APPRAISAL SYSTEM OF STATE EMPLOYEE
16 PERFORMANCE THAT IS BASED ON AGENCY OR UNIVERSITY GOALS AND OBJECTIVES, AS
17 IDENTIFIED AND APPROVED BY THE AGENCY'S OR UNIVERSITY'S EMPLOYEES,
18 SUPERVISORS, DIRECTOR OR PRESIDENT.

19 2. AUTHORIZE ALL AGENCY DIRECTORS AND UNIVERSITY PRESIDENTS
20 PARTICIPATING IN THE PROGRAM TO RECOGNIZE THE PERFORMANCE OF STATE EMPLOYEES,
21 WHO ARE UNDER THEIR AUTHORITY, BASED ON THE OUTCOME OF THE APPRAISAL
22 CONDUCTED PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION.

23 C. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL COOPERATE
24 WITH THE DIRECTOR OF THE DEPARTMENT OF PUBLIC SAFETY, THE SUPERINTENDENT OF
25 PUBLIC INSTRUCTION AND THE SUPERINTENDENT OF THE STATE SCHOOLS FOR THE DEAF
26 AND THE BLIND TO IMPLEMENT THE PERFORMANCE BASED INCENTIVES PROGRAM. THE
27 EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS SHALL COOPERATE WITH THE
28 PRESIDENT OF EACH UNIVERSITY UNDER THE JURISDICTION OF THE ARIZONA BOARD OF
29 REGENTS TO IMPLEMENT THE PERFORMANCE BASED INCENTIVES PROGRAM.

30 D. NOTWITHSTANDING SECTION 35-174, SUBSECTION B, THE DIRECTOR OF THE
31 DEPARTMENT OF ADMINISTRATION, THE DIRECTOR OF THE DEPARTMENT OF PUBLIC
32 SAFETY, THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS, THE
33 SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE SUPERINTENDENT OF THE STATE
34 SCHOOLS FOR THE DEAF AND THE BLIND MAY AUTHORIZE THE EXPENDITURE OF UP TO
35 EIGHTY PER CENT OF EXCESS VACANCY SAVINGS TO RECOGNIZE EMPLOYEES OF STATE
36 AGENCIES AND STATE UNIVERSITIES WHO ARE UNDER THEIR RESPECTIVE AUTHORITY AND
37 WHO ARE PARTICIPATING IN THE PERFORMANCE BASED INCENTIVES PROGRAM. IN
38 ADDITION TO EXCESS VACANCY SAVINGS, THE PARTICIPATING AGENCY OR UNIVERSITY
39 MAY USE MONIES APPROPRIATED FROM THE STATE GENERAL FUND OR OTHER SOURCES,
40 INCLUDING FEDERAL ENHANCED FUNDING AN AGENCY OR UNIVERSITY RECEIVES FOR
41 QUALITY INITIATIVES. FEDERAL ENHANCED MONIES DO NOT REVERT TO THE STATE
42 GENERAL FUND BUT REMAIN IN A SEPARATE AGENCY OR UNIVERSITY ACCOUNT AT THE END
43 OF THE FISCAL YEAR FOR USE BY THE AGENCY OR UNIVERSITY IN ACCORDANCE WITH THE
44 TERMS AND CONDITIONS IMPOSED BY THE FEDERAL FUNDING SOURCE. FOR PURPOSES OF
45 THIS SUBSECTION, "EXCESS VACANCY SAVINGS" MEANS THE SAME AS "VACANCY SAVING"

1 AS DEFINED IN SECTION 35-174, SUBSECTION A, EXCEPT THAT EXCESS VACANCY
2 SAVINGS ARE ANY VACANCY SAVINGS THAT ARE OVER AND ABOVE THE AMOUNT
3 ELIMINATED FROM AN AGENCY'S BUDGET AS THE RESULT OF THE APPLIED VACANCY
4 FACTOR REPORTED IN THE ANNUAL APPROPRIATIONS REPORT PREPARED BY THE JOINT
5 LEGISLATIVE BUDGET COMMITTEE.

6 E. AS PROVIDED FOR IN SUBSECTION D OF THIS SECTION, ANY INCENTIVE OR
7 PERFORMANCE COMPENSATION USING MONIES FROM EXCESS VACANCY SAVINGS OR OTHER
8 FUND SOURCES INCLUDING STATE GENERAL FUND APPROPRIATIONS SHALL NOT BE ADDED
9 TO AN AGENCY'S SALARY BASE.

10 F. RECOGNITION OF STATE EMPLOYEES MAY BE IN THE FORM OF INCREASE IN
11 COMPENSATION FOR FUTURE SERVICES, BUT THE INCREASE MAY NOT EXCEED TWO HUNDRED
12 DOLLARS PER MONTH PER EMPLOYEE.

13 G. ON OR BEFORE DECEMBER 1 OF EACH EVEN-NUMBERED YEAR:

14 1. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, IN COOPERATION
15 WITH THE DIRECTOR OF THE DEPARTMENT OF PUBLIC SAFETY, THE SUPERINTENDENT OF
16 PUBLIC INSTRUCTION AND THE SUPERINTENDENT OF THE STATE SCHOOLS FOR THE DEAF
17 AND THE BLIND, SHALL PROVIDE THE PERFORMANCE BASED INCENTIVES PROGRAM
18 OVERSIGHT COMMITTEE WITH A REPORT ON THE IMPLEMENTATION OR PROGRESS OF AN
19 APPROVED PROGRAM AND THE EXPENDITURES OF EACH PARTICIPATING AGENCY RELATED
20 TO THE PROGRAM.

21 2. THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS, IN
22 COOPERATION WITH THE PRESIDENT OF EACH UNIVERSITY UNDER THE JURISDICTION OF
23 THE ARIZONA BOARD OF REGENTS, SHALL PROVIDE THE PERFORMANCE BASED INCENTIVES
24 PROGRAM OVERSIGHT COMMITTEE WITH A REPORT ON THE IMPLEMENTATION OR PROGRESS
25 OF AN APPROVED PROGRAM AND THE EXPENDITURES OF EACH PARTICIPATING UNIVERSITY
26 RELATED TO THE PROGRAM.

27 H. AN APPROVED PROGRAM SHALL NOTIFY THE PERFORMANCE BASED INCENTIVES
28 PROGRAM OVERSIGHT COMMITTEE AND, AS APPLICABLE, THE DIRECTOR OF THE
29 DEPARTMENT OF ADMINISTRATION OR THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD
30 OF REGENTS WHEN IT MAKES ANY SUBSTANTIVE CHANGES TO THE APPROVED PROGRAM.

31 38-619. Performance based incentives program oversight
32 committee

33 A. A PERFORMANCE BASED INCENTIVES PROGRAM OVERSIGHT COMMITTEE IS
34 ESTABLISHED CONSISTING OF:

35 1. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE DIRECTOR'S
36 DESIGNEE.

37 2. THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS OR THE
38 EXECUTIVE DIRECTOR'S DESIGNEE.

39 3. TWO MEMBERS OF THE SENATE WHO ARE APPOINTED BY THE PRESIDENT OF THE
40 SENATE. THE APPOINTEES SHALL BE MEMBERS OF DIFFERENT POLITICAL PARTIES. ONE
41 OF THESE APPOINTEES SHALL BE DESIGNATED TO COCHAIR THE COMMITTEE.

42 4. TWO MEMBERS OF THE HOUSE OF REPRESENTATIVES WHO ARE APPOINTED BY
43 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE APPOINTEES SHALL BE MEMBERS
44 OF DIFFERENT POLITICAL PARTIES. ONE OF THESE APPOINTEES SHALL BE DESIGNATED
45 TO COCHAIR THE COMMITTEE.

1 5. THE EXECUTIVE MANAGER OF THE GOVERNOR'S OFFICE FOR EXCELLENCE IN
2 GOVERNMENT OR THE EXECUTIVE MANAGER'S DESIGNEE.

3 6. AN AGENCY DIRECTOR WHO IS APPOINTED BY THE GOVERNOR.

4 7. A REPRESENTATIVE FROM THE GOVERNOR'S OFFICE OF AFFIRMATIVE ACTION
5 WHO IS APPOINTED BY THE GOVERNOR.

6 8. TWO PUBLIC MEMBERS WHO HAVE EXPERTISE IN COMPENSATION
7 ANALYSIS. THE SPEAKER OF THE HOUSE OF REPRESENTATIVES SHALL APPOINT ONE OF
8 THESE MEMBERS, AND THE PRESIDENT OF THE SENATE SHALL APPOINT ONE OF THESE
9 MEMBERS.

10 B. THE COMMITTEE SHALL:

11 1. DEVELOP AND ADOPT GUIDELINES FOR A STATE EMPLOYEE PERFORMANCE BASED
12 INCENTIVES PROGRAM. THE GUIDELINES SHALL INCLUDE AGENCY OR UNIVERSITY GOALS
13 THAT RESULT IN COST REDUCTION, INCREASED PRODUCTIVITY AND IMPROVED QUALITY
14 OF THE DELIVERY OF STATE SERVICES OR PRODUCTS.

15 2. IDENTIFY INCENTIVES AND AVAILABLE RESOURCES TO PROVIDE INCENTIVES,
16 SUCH AS VACANCY SAVINGS ACHIEVED IN EACH STATE AGENCY AND STATE UNIVERSITY.

17 3. COORDINATE WITH STATE AGENCIES AND UNIVERSITIES PARTICIPATING IN
18 THE ONGOING PERFORMANCE BASED INCENTIVES PROGRAM TO EVALUATE THE SUCCESS OF
19 THE PROGRAM.

20 4. REVIEW AGENCY AND UNIVERSITY REQUESTS TO PARTICIPATE IN A PILOT
21 INCENTIVE PROGRAM OR AN ESTABLISHED PERFORMANCE BASED INCENTIVE PROGRAM AND
22 MAKE RECOMMENDATIONS ON THOSE REQUESTS TO THE DIRECTOR OF THE DEPARTMENT OF
23 ADMINISTRATION OR THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS.

24 C. THE COMMITTEE MAY RECOMMEND THAT THE DIRECTOR OF THE DEPARTMENT OF
25 ADMINISTRATION OR THE EXECUTIVE DIRECTOR OF THE ARIZONA BOARD OF REGENTS
26 PLACE AN APPROVED PROGRAM ON PROBATIONARY STATUS OR TERMINATE AN APPROVED
27 PROGRAM FOR FAILING TO MEET APPROVED GOALS AND OBJECTIVES.

28 Sec. 2. Repeal

29 The following are repealed:

30 1. Laws 1993, chapter 114, section 1, as amended by Laws 1995, chapter
31 43, section 1 and Laws 1999, chapter 78, section 3.

32 2. Laws 1993, chapter 114, section 1, as amended by Laws 1995, chapter
33 43, section 1 and Laws 1999, chapter 138, section 1.

34 3. Laws 1993, chapter 114, section 2, as amended by Laws 1994, chapter
35 39, section 1 and Laws 1995, chapter 43, section 2.

36 4. Laws 1993, chapter 114, section 3, as amended by Laws 1994, chapter
37 39, section 2, Laws 1995, chapter 43, section 3 and Laws 1999, chapter 138,
38 section 2.

APPROVED BY THE GOVERNOR APRIL 25, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 25, 2001.

Passed the House March 20, 20 01,

Passed the Senate April 17, 20 01,

by the following vote: 53 Ayes,
0 Nays, 7 Not Voting

by the following vote: 27 Ayes,
2 Nays, 1 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

Norman L. Moore
Chief Clerk of the House

Norma Bowl
Asst Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
_____ day of _____, 20____,
at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of _____,
_____, 20____,
at _____ o'clock _____ M.

Governor of Arizona

H.B. 2262

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this _____ day of _____, 20____,
at _____ o'clock _____ M.

Secretary of State

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 19, 2001,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

19 day of April, 2001,

at 10:58 o'clock A M.

[Signature]
Secretary to the Governor

Approved this 25 day of

April, 2001,

at 3:39 o'clock P M.

[Signature]
Governor of Arizona

H.B. 2262

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 25 day of April, 2001,

at 4:45 o'clock P M.

[Signature]
Secretary of State